No. 15104

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

ORIENTAL FOODS, INC., a corporation,

Appellant,

vs.

CHUN KING SALES, INC., and JENO F. PAULUCCI,

Appellees.

CHUN KING SALES, INC., and JENO F. PAULUCCI,

Appellants,

vs.

ORIENTAL FOODS, INC., a corporation,

Appellee.

Opening Brief of Plaintiffs-Appellees-Appellants.

LYON & LYON,
LEWIS E. LYON,
ROBERT DOUGLAS LYON,
811 W. Seventh St.,
Los Angeles, Calif.

WILLIAMSON, SCHROEDER, ADAMS & MEYERS
EVERETT J. SCHROEDER,
950 Pillsbury Building,
Minneapolis 2, Minnesota,
Attorneys for Appellees-Appellants.

Parker & Son, Inc., Law Printers, Los Angeles. Phone MA. 6-9171.

TOPICAL INDEX

TABLE OF AUTHORITIES CITED

Cases

Rules

Statutes

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Opening Brief of Plaintiffs-Appellees-Appellants.

I.
Statement of Jurisdiction.

This appeal is from the judgment of the District Court holding claim 1 of United States Letters Patent 2,679,281 valid and infringed and dismissing a claim for unfair competition. All parties have appealed.

The action was tried before the District Court upon the issues formed by the Complaint [R. 3], answer and counterclaim [R. 12] and the answer to the counterclaim [R. 23].

The jurisdiction of the District Court is based upon the patent laws Title 28, Section 1338, U. S. C., and upon diversity of citizenship Title 28, Section 1332, U. S. C.

This Court has jurisdiction of the Appeal and the Appeals were timely (Tit. 28, Secs. 1291 and 1292 (4), U. S. C.).

This brief on behalf of Chun King Sales Inc. and Jeno F. Paulucci, will deal with the appeal taken by these parties from the adverse portion of the judgment on the claim for unfair competition.

The District Court at the conclusion of the trial, briefing and oral arguments expressed its opinion by a written memorandum filed December 13, 1955 [R. 67]. Pursuant to said Memorandum, Findings of Fact, Conclusions of Law and Judgment [R. 82] were prepared and same were filed, docketed and entered January 11, 1956. A Motion to Amend Findings of Facts under Rule 52(b) F. R. C. P. was filed January 20, 1956 [R. 91], which Motion was denied by a Minute Order dated February 13, 1956 [R. 97].

A Notice of Appeal [R. 98] was filed by defendant February 24, 1956, and an amended Notice of Appeal [R. 103] was filed by defendant on March 6, 1956. A Notice of Appeal [R. 104] was filed by plaintiffs on March 6, 1956, and this present Brief is concerned with the issues raised by the latter Notice of Appeal.

II.
Statement of the Case.

This action was commenced by plaintiffs Chun King Sales, Inc., and Jeno F. Paulucci, filing their Complaint [R. 3] against defendant Oriental Foods, Inc.*

By the Complaint Chun King sought relief from Oriental's infringement of its patent and also from Oriental's unfair competition.

During the trial Chun King established, as will be more completely developed hereafter, that it had evolved, after a series of changes, distinctive labels for its products which had gained wide recognition and praise in the industry [Exs. 5, 5A, R. 129-134].

Chun King also established that although Oriental had been in the same business for many years prior to Chun King, Oriental discarded its labels and began to systematically copy Chun King's labels, advertising and promotional plans, and its cartons. Each time Chun King made a change in its labels, Oriental made a similar change with the ultimate result that the labels of the two parties are so strikingly similar in color, style, arrangement of descriptive matter, and vignettes that one may be readily confused with the other.

The similarity of appearance of Chun King's and Oriental's products is so striking that it is readily apparent that Oriental has carefully followed each change made by

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*In this Brief, where reference is made to the parties, unless otherwise specifically noted reference to the appellees-appellants Chun King Sales, Inc., and Jeno F. Paulucci, will be by the single reference Chun King. Reference to the appellant-appellee Oriental Foods, Inc., will be merely Oriental.

Chun King in order to promote confusion in the minds of the purchasing public, permit passing off of their products as those of Chun King and trading on the good will of Chun King.

III.
Specifications of Error.

1.

The judgment of the District Court errs in adjudging that defendant has not competed unfairly with plaintiffs (Par. 4 of the Judgment).

2.

The judgment of the District Court errs in adjudging that plaintiffs recover nothing by the second cause of action for unfair competition (Par. 6 of the Judgment).

3.

The District Court erred in holding that prospective purchasers of defendant's merchandise are not likely to be confused with the products of plaintiffs because of the similarity in dress, label, color and appearance of the defendant's product brought out in, after and in imitation of plaintiffs' products [Finding of Fact 26].

4.

The District Court erred in holding that the labels of the defendant do not simulate in lettering, form, colors, picture, script and combination of words, the labels of plaintiffs [Finding of Fact 28].

5.

The District Court erred in holding that by comparison of the "tout ensemble" the labels of the defendant are not confusingly similar to the labels of the plaintiffs [Finding of Fact 29].

6.

The District Court erred in failing to give to plaintiffs relief for unfair competition, particularly in view of the Finding of the District Court that a casual buyer not buying by brand name would pick up one can for another [Finding of Fact 30].

7.

The District Court erred in finding that a buyer who looked for Chun King brand cans would not be likely to pick up Jan-U-Wine brand cans [Finding of Fact 31].

8.

The District Court erred in its Conclusion of Law that the defendant has not competed unfairly with plaintiffs and in its Conclusion of Law that the plaintiffs recover nothing by virtue of their second cause of action for unfair competition [Concl. of Law V and VI].

9.

The District Court erred in disregarding the indiscriminating prospective purchaser and in judging the plaintiffs' cause of action solely upon the basis of a comparison of the brand names without regard to the makeup and combination of figures, script and coloring of the labels of plaintiffs and defendant.

10.

The District Court in its Memorandum in this action erred completely in holding that the law protects the defendant in the matter of its unfair competition because, broadly the defendant was the first on the market in the sale of Chinese-American type foods without regard to the showing that the defendant by plan followed precisely the change and changing of labels of the plaintiffs and brought out labels for its cans in precise duplication of the labels of plaintiffs, one following the other.

IV.
Argument.

A. Chronological Summary of Chun King's Business.

Chun King Sales, Inc., was organized in May of 1947 [R. 116] with Jeno F. Paulucci as its president [R. 116] to engage in the processing, packing and selling of Oriental-American foods [R. 116] by way of example, chicken chow mein, mushroom chow mein and beef chop suey [R. 117] to enumerate a few.

Upon the commencement of the business Chun King designed and adopted labels for its products exemplified by Exhibits 18, 19, 20, 27, 28 and 44. Among the early promotional and advertising schemes Chun King initiated a combination of 2-in-1 sale in 1949 [Exs. 18, 19 and 20, R. 124] taped or otherwise secured together. Subsequently, a one-cent sale was utilized in 1953 [Exs. 27, 28 and 44, R. 180]. Chun King brought out its new three-pound cans [Exs. 6, 7 and 8, R. 134, 135]. Chun King brought out its divider pack in June, 1954 [Exs. 3, 9 and 10, R. 117]. A new label was utilized as exemplified by exhibits 16 and 17 in 1955 [R. 142]. In 1954 Chun King adopted the distinctively styled cartons [Exs. 49, 50 and 51] for its so-called divider pack of exhibits 3, 9 and 10.

B. Chronological Summary of Oriental's Business.

Oriental Foods, Inc., was organized in 1928 [R. 241] with Peter S. Hyun, Sr., as its president [R. 241] to engage in the business of canning Chinese food [R. 240]. A label was adopted for the products of this organization as exemplified by Exhibits 36, 37, 38, 39, 40 and 43, sometime in the 1930s [R. 248-250], which was used until 1950 [R. 248] or until 1952-53 on some products [R. 253].

Between 1947 to 1949 a change was made in labels of the type of Exhibit 42 [R. 254] by making the color of the semi-circular panel and the side panels [R. 254, 255] a different color for each product. This type of label was used for a year or two [R. 255]. A change exemplified by Exhibits 41B, 41C, 41D and 41E, was then adopted for the products so labeled [R. 262]. In 1950 a further change was made adding a vignette of the product to the label as in Exhibit 41A [R. 256], commencing May 2, 1950 [R. 257], which was used until the middle of 1953 [R. 262].

In October of 1953 Oriental brought out their version of a three-pound can with a new label, Exhibits 6A, 7A and 8A [R. 263]. In October of 1954 the triple-pack of Exhibits 24, 25 and 26 was sold [R. 263, 264]. Still a further change in Oriental's labels was made in the three-pound can exemplified by Exhibit 41F [R. 264-266], first used March 7, 1955. The labels of Exhibits 3A, 9A and 10A for Oriental's divider pack were then adopted in October of 1955. Oriental, on or after June 29, 1956, commenced use of its packing cartons, Exhibits 45, 34, 46, 47 [R. 268-271].

Jaisohn Hyun, executive vice-president and general manager of Oriental, admitted that he had been familiar with the Chun King pack and labels of Exhibits 3, 9 and 10 about a year and a half before Oriental brought out its corresponding labels, Exhibits 3A, 9A and 10A [R. 266, 267]. Jaisohn Hyun also testified that he was familiar with the Chun King packs and labels of Exhibits 6, 7 and 8 for six months before Oriental brought out its corresponding labels of Exhibits 6A, 7A and 8A.

C. Similarity of Labels.

The court is respectfully requested to compare the labels of Chun King and Oriental. The striking dissimilarity between the original labels of both parties such as Exhibits 18, 19, 20 and 42 and 43 is to be noted. As Chun King began to grow and its products were accepted and its business expanded Oriental began to change its labels and promotions to parallel Chun King. This change in labels of Oriental marked an abandonment of over twenty years of marketing Oriental's products under the same label and can be explained only as part of a plan to copy Chun King's packs and labels. Oriental willingly abandoned the good will accumulated through twenty years of use of the same labels in order to simulate the labels of its new, vigorous and rapidly expanding competitor to promote confusion in the trade.

Chun King brought out its three-pound cans, Exhibits 6, 7 and 8. Oriental countered by bringing out a new three-pound can, Exhibits 6A, 7A and 8A with labels of striking similarity. Thus each chicken chow mein has a yellow background, a similarly disposed vignette and descriptive matter, each beef product and meatless product are equally similar. Oriental admits familiarity with Chun King's labels, Exhibits 6, 7 and 8, six months prior to the adoption of Exhibits 6A, 7A and 8A [R. 267]. A more careful copying of labels is hard to visualize, obviously resorted to in order to promote confusion in the trade. When these items are placed side by side on a grocery shelf, confusion inevitably results.

The court is respectfully requested to compare Exhibits 3, 9 and 10, Chun King's divider pack labels with Exhibits 3A, 9A and 10A, Oriental's divider pack. Attention is

drawn to the admission that Oriental was familiar with Chun King's pack and label a year and a half prior to its adoption of this new style of pack and label [R. 266, 267].

With respect to these exhibits attention is directed to the same color background for the same products, hardly a coincidence. The vignettes and disposition of descriptive and explanatory matter is identical. When Chun King adopts the small figures on the label suggesting various uses for its products, Oriental also copies this feature.

Subsequently Chun King used a distinctive carton for its products, Exhibits 49, 50 and 51 each bearing the same color identification thereon as the background color of the cans, Exhibits 3, 10 and 9, contained therein. Immediately thereafter Oriental adopts almost identical cartons, Exhibits 34, 45 and 46, using the same color identification code.

Thus, the record develops a situation wherein a new and vigorous concern enters the field of processing and selling Oriental-American foods. Its growth is rapid. Oriental watches the growth of Chun King's business and drops its old advertising, packing and labeling methods. Oriental then duplicates each new product of Chun King, the three-pound and divider packs and copies Chun King's labels and Chun King's cartons almost identically in an effort to promote confusion in the trade and to trade on the good will of Chun King.

This plan of copying the packaging and labels of Chun King by Oriental inevitably results in confusion in the trade.

D. The Error of the Court in Failing to Find Unfair Competition.

The trial court in its opinion dated December 13, 1955, determined that in deciding whether or not unfair competition existed, it would disregard the undiscriminating prospective purchaser and confine its inquiry to those individuals who are guided by the effect upon the person who looks for brand names [R. 72]. This is error. The court ignores completely those persons who are familiar with the label on a product and its appearance and are guided by same in picking a can off the shelf. The court in effect holds that no matter how similar the dress of the goods there is no unfair competition where the trademarks are different. This is not a case of trademark infringement but one of unfair competition based upon Oriental's copying of Chun King's labels. Finding of Fact 30 expressly finds that a casual buyer who did not buy by brand name might pick up one can for the other [R. 88]. Such a purchaser may or may not know the brand name involved and still have in mind a particular product he desires which in his mind is identified by the general appearance of the label and product. Courts, in many instances, have found unfair competition because of the similarity of packages, even though the brand names are different. See *O. K. Jelks & Son, et al. v. Tom Huston Peanut Co.* (5th Cir. 1931), 52 F. 2d 4, wherein the court stated at page 8:

> "On the question of unfair competition the comparison of packages shows great similarity. They are of the same size and made of the same material, and defendants' package is closed with a seal very similar to plaintiff's. An attempt has evidently been made to avoid liability by printing the name 'Jelks' Primrose Toasted Peanuts' on defendants' bag, while

plaintiff's package has 'Tom's Toasted Peanuts' printed on both sides of the seal. Plaintiff's color scheme is red and blue, and these same colors are adopted by defendants. There is sufficient similarity in the appearance of the two packages to cause confusion to the casual purchaser. In addition, there is the testimony of four witnesses that they had asked for 'Tom's Peanuts' at retail stands and that Jelks' peanuts had been handed them without their immediately discovering the substitution. We think the evidence establishes a case of unfair competition."

In *My-T Fine Corporation v. Samuels, et al.* (2nd Cir. 1934), 69 F. 2d 76 at page 77 the court stated:

"In the case at bar, it seems to us fairly demonstrated that the defendants have copied the plaintiff's make-up as far as they dared. We are not entirely clear that this was not true of their original box; but that is too doubtful to be decided on affidavits, and besides, its use has been discontinued anyway. At the very outset the directions were lifted bodily from the back of the plaintiff's box; and although the defendants were within their rights as to that, still the circumstance is relevant because it proves that the box had been before them when they designed their own make-up, and that it had been their point of departure. In addition they took solid green for the body, and put on a chevron; and while perhaps they did not choose a general combination of red and green, at least they adopted a red lettering. Whether or not they meant to get hold of the plaintiff's customers by that make-up, their next step was bolder, and put their intent beyond question; they added the red stripes at every edge; so that the real differences that remained were only in the name and the color of the chevron. As they had not the slightest original interest in the

colors chosen and their distribution, they could only have meant to cause confusion, out of which they might profit by diverting the plaintiff's customers. This being the intent, the dissimilarities between the two do not in our judgment rebut the presumption."

Again, in *Chesebrough Mfg. Co. v. Old Gold Chemical Co., Inc.* (6th Cir. 1934), 70 F. 2d 383 at page 384, the court stated:

"It is not contended that the appellee has so closely simulated appellant's trade-marks as to amount to infringement, nor that there is unfairness in the type, shape or form of appellee's jar and cap. The contention is that it has so simulated in coloring and marking the caps, cartons, and labels of the appellant as to mislead the purchasing public. Simulation amounting to unfair competition does not reside in identity of single features of dress or markings nor in indistinguishability when the articles are set side by side, but is to be tested by the general impression made by the offending article upon the eye of the ordinary purchaser or user. If the general impression which it makes when seen alone is such as is likely to lead the ordinary purchaser to believe it to be the original article, there is an unlawful simulation, McLean v. Fleming, 96 U. S. 245, 255, 24 L. Ed. 828; Paris Medicine Co. v. W. H. Hill Co., 102 F. 148, 150 (C. C. A. 6).

The appearance of appellee's carton as colored and marked so closely resembles the appellant's as to admit, in our opinion, of no doubt of the likelihood of confusing the two articles. We are likewise of opinion that the label of appellee so closely resembles appellant's label as to lead to confusion and deception. It is true that appellee places on its article distinguishing marks by which it could be identified by a careful and discriminating purchaser, but this is not enough,

for it is the casual or ordinary purchaser who must be protected, and as to him the test is general appearance. O. & W. Thum Co. v. Dickinson, 245 F. 609, 613 (C. C. A. 6); Auto Acetylene Light Co. v. Prest-O-Lite Co., 264 F. 810, 813 (C. C. A. 6); Rymer v. Anchor Stove & Range Company (C. C. A. 6), 70 F. (2d) 386, this day announced. Measured by this test, there can be no doubt, as we have said, that appellee has simulated the label and carton of appellant. . . ."

* * * * * * * *

". . . There was no attempt to explain why, with all the colors and variations in arrangement thereof available to the appellee, it chose the colors and arrangement used by appellant. We cannot escape the conclusion that it acted, in coloring and designing its label as well as in marking its carton, with the fraudulent intent to simulate the dress and markings of appellant's product. That it had theretofore put out another product under a blue and white marking does not militate against this view, for the colors were arranged differently and the product was not a competing product with 'Vaseline.' Nor is it evidence of lack of fraudulent intent that the appellant had not consistently used the same shade of blue on its label and cap as it now uses. It may be that at an earlier date some of its labels and caps were of a slightly lighter shade of blue. Whether this was due to the fading of the darker blue does not appear, but it does appear that appellant had used its present shade of blue for many years before appellee entered the field. It is not, however, in the use of blue per se that appellee has been guilty of unfair practice, but in the use of it with white in lettering, panels and designs so as to give its article the appearance of appellant's. In our view it has been guilty of unfair competition."

Still again in *Socony-Vacuum Oil Co., Inc. v. Rosen* (6th Cir. 1940), 108 F. 2d 632, the court stated at page 636:

> "Since the essence of unfair competition consists in palming off, either directly or indirectly, one person's goods as those of another, the question of intent to deceive is involved though it is not necessary to prove it by direct evidence. It may be inferred from circumstances and will be presumed where the resemblance is patent and the probability of confusion obvious.
>
> The facts found by the lower court show that the appellee's assignor, through his experience in the lubrication of automobiles, developed a product superior to that theretofore in use and, through his industry and expenditure of money by the appellees, built up a trade by which the public became acquainted with an article distinctive in color, size, shape and use, put up in containers in such a way that it would be recognized by a prospective purchaser. The facts further show that appellant sought out the localities and places where appellee had created a demand for her product and placed its article for identical use in packages of such similarity as was likely to deceive the ordinary buyer making purchases under ordinary conditions.
>
> With a practically unlimited field of distinctive names, shapes, sizes and colors of packages open to appellant for use when it entered into the manufacture and sale of the same product in which appellee was dealing, the fact that it chose to use a package of the same shape and size with the contents of substantially the same color as appellee's, is weighty evidence that appellant did so because of the good will earned by appellee and the high regard which her product had established in the industry. Akron-Over-

land Tire Co. v. Willys-Overland Co., 3 Cir., 273 F. 674.

In cases of unfair competition it is unnecessary to show as close an imitation as in those of trade marks. If the simulation of the competitor in the dress of his goods is sufficient to deceive the average purchaser, unfair competition exists even though there are such differences in imitation as would preclude a claim of infringement of a trade mark. Coats v. Merrick Thread Co., 149 U. S. 562, 566, 13 S. Ct. 966, 37 L. Ed. 847; Chesebrough Mfg. Co. v. Old Gold Chemical Co., 6 Cir., 70 F. 2d 383; Northam Warren Corporation v. Universal Cosmetic Co., 7 Cir., 18 F. 2d 774."

See also:

Pastificio Spiga Societa per Azioni v. De Martini Macaroni Co., Inc. (2d Cir. 1952), 200 F. 2d 325;

American Chicle Co. v. Topps Chewing Gum, Inc. (2d Cir. 1953), 208 F. 2d 560.

In the latter case, at pages 562 and 563, the court stated:

"We may properly assume, therefore, that, although the defendant's 'make-up' is not 'likely to cause confusion' among attentive buyers, there is a substantial minority, 'likely' to be misled. . . ."

* * * * * * * * *

". . . the defendant has not suggested even the most diaphanous reason for selecting for its peppermint box out of all possible permutations of color and design, just the plaintiff's—or at least almost the plaintiff's—combination, except for the substitution of 'Topps' for 'Chiclets.' It would be absurd to see in this anything but a hope to bring to its own net just those buyers who are on the fringe of the plaintiff's possible cus-

> tomers. In the language of Judge Byer, the imitation 'revealed an apparent purpose to come as close to the plaintiff's package as the law might close its eyes to, so long as Topps is used instead of Chiclets.' "
>
> * * * * * * * * *
>
> ". . . Indeed, it is generally true that, as soon as we see that a second comer in a market has, for no reason that he can assign, plagiarized the 'make-up' of an earlier comer, we need no more; for he at any rate thinks that any differentiation he adds will not, or at least may not, prevent the diversion and we are content to accept his forecast that he is 'likely' to succeed. Then we feel bound to compel him to exercise his ingenuity in quarters further afield."

The trial court's opinion refers to the protection afforded by the law to a combination of colors and symbols [R. 74-82]. It is submitted that the court's conclusions are contrary to each of the above decided cases. The trial court in effect has ruled that no matter how similar the color scheme and arrangement of two labels are, no unfair competition exists if the trade-marks are different if there is no proof of actual confusion. See *Chesebrough Mfg. Co. v. Old Gold Chemical Co., Inc., supra,* which is directly contrary to this holding.

The question which should have been answered by the trial court is whether or not an appreciable number of prospective purchasers in connection with which the labels are used are likely to be confused. The trial court, in its opinion and findings, erroneously excluded from its consideration those customers who would depend upon the dis-

tinctive appearance of Chun King's label in selecting canned goods from the grocer's shelf.

It is to be noted that no evidence of probability of confusion or the lack thereof was before the trial court. Chun King relies upon the comparison between its labels and the accused labels as clearly and unquestionably establishing a likelihood of confusion. Under these circumstances the appellate court is in as good a position as the trial court to determine the existence of a likelihood of confusion.

See *Miles Shoes, Inc. v. R. H. Macy & Co., Inc.* (2 Cir. 1952), 199 F. 2d 602, wherein the court stated:

> ". . . Where the question of confusing similarity is based solely on the marks themselves, this court has said that: '* * * we are in as good a position as the trial judge to determine the probability of confusion.' . . ."

In *McCormick & Co., Inc. v. B. Manischewitz Co.* (6th Cir. 1953), 206 F. 2d 744, the court holds at page 746:

> ". . . It also follows that while extrinsic facts are significant, the likelihood of confusion may as readily be perceived by a reviewing court upon visual comparison as by a court of first instance, unless extrinsic facts compel determination one way or the other."

See also:

Best & Co. v. Miller (2nd Cir. 1948), 167 F. 2d 374, and

California Fruit Growers Exchange v. Sunkist Baking Co. (7th Cir. 1948), 166 F. 2d 971.

E. Conclusion.

It is submitted that the record establishes that Oriental, with full knowledge of Chun King's labels, cartons and promotional activities copied same with the intention of promoting confusion in the trade and trading upon the good will of Chun King. There is no other possible explanation for the similarity of color schemes, style and arrangement of the labels. A comparison of the labels side by side leaves no other conclusion possible but what an appreciable number of purchasers would be likely to be confused by the similarity. That the trial court erred in considering only that class of customers who read the trademarks on the labels as the type of trade the law protects from this form of deceit. Consequently the judgment of the trial court on the unfair competition action should be reversed and the relief prayed for in the complaint by Chun King be granted.

Respectfully submitteed,

LYON & LYON,

LEWIS E. LYON,

ROBERT DOUGLAS LYON,

WILLIAMSON, SCHROEDER, ADAMS & MEYERS,

EVERETT J. SCHROEDER,

Attorneys for Appellees-Appellants.